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ABSTRACT

The world population is changing: world population is growing rapidly, more people live in urban areas, and the share of the world's population living in OECD (Organisation for Economic Co-operation and Development) nations is shrinking. The U.S. population is becoming older and more diverse. Across the United States, demographic changes are playing out differently. In 1995, for example, the West had the highest concentration of minorities (36%) and the Midwest had the lowest (15%). Work force changes are paralleling changes in population. The U.S. work force will become more diverse as women, minority groups, older workers, and disabled persons represent larger shares of the work force into the next century. Although more people are investing in education and educational attainment is continuing to rise for most groups, important gaps in education remain across population groups. As the population continues to change, minorities will represent larger shares of K-12 and postsecondary education enrollments, and disabled students will constitute an increasing share of K-12 enrollment. Although the year-to-year demographic changes will be small and subtle, they will have a far-reaching cumulative impact and will drive economic and social change in workplaces, schools, and civic and social institutions. (Thirty tables/figures are included.) (MN)

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The Demographic Challenge: New Patterns for a New Century Workforce Economics Trends September 1998

National Alliance of Business

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SEPTEMBER 1998

NATIONAL ALLIANCE OF BUSINESS

WORKFORCE ECONOMICS TRENDS

THE BUSINESS VOICE ON WORKFORCE DEVELOPMENT

THE DEMOGRAPHIC CHALLENGE: NEW PATTERNS FOR A NEW CENTURY

Demographics are important and will become more important in the future. They already have far-reaching economic and social implications as well as a permanent impact on the American economy. Increasingly they play an important role in policy debates at every level.

Along with changes in technology and the integration of the world economy, changes in the population, the workforce, and student enrollment drive social and economic changes. These changing demographic patterns will have significant implications for our local communities, our workplaces, our schools, and many other institutions. However, there is a general lack of public awareness of these trends and, in some cases, the implications of these trends have been misinterpreted. Demographic change moves slowly and the effects emerge over time. However, if we take a long-term view of these changes, it is clear that these shifting demographic patterns will be an integral part of our economic and social future.

In this issue of *Workforce Economics Trends*, we look at the impact that demographic change will have and the promise and the challenge these trends pose. Drawing from a variety of sources, we find that:

- World population is changing. The world population is growing rapidly, more people live in urban areas, and the share of the world's population living in OECD countries is shrinking.
- United States population is changing and becoming older and more diverse. Minorities will represent a larger share of the U.S. population and the population is gradually growing older.
- Demographic changes are playing out differently across the regions of the United States. Broad changes in the composition of the population mask important differences within and across regions. For example, according to Census Bureau data, the West had the highest concentration of minorities (36 percent) followed by the South (30 percent), the Northeast (23 percent), and the Midwest (15 percent) in 1995.
- Workforce changes parallel changes in population. The workforce in the United States will become more diverse across a range of characteristics. Women, minority groups, older workers, and disabled persons will represent a larger share of the workforce as we move into the next century.
- Educational attainment of the workforce is changing and more persons are investing in education. However, while education attainment continues to rise for most groups, there remain important gaps in educational attainment across population groups.
- Demographic change will also impact educational institutions. Minorities will represent a larger share of K-12 enrollment and a larger share of post-secondary education enrollment. In addition, other important changes are occurring in terms of post-secondary education enrollment patterns as well as the increasing share of disabled students in K-12 schools.

Clearly, demographic change will drive economic and social change. While the year-to-year changes will be small and subtle, their cumulative impact will be far-reaching. It is clear that we need to understand and embrace these changes and recognize the opportunities and challenges they present to our workplaces, schools, civic, and social institutions.

Workforce Economics Trends is a compilation prepared by the Alliance of research profiling our nation's current and future workforce. The information — statistics, facts and demographics — highlighted is intended to help advance efforts to build a quality workforce.

Alliance members receive *Workforce Economics Trends* six times per year, bimonthly. Further information and analysis about the state of the American workforce are provided through the Alliance's newsletters — *Work America*, *Workforce Economics* and our faxed bulletin *Legislative Update*.

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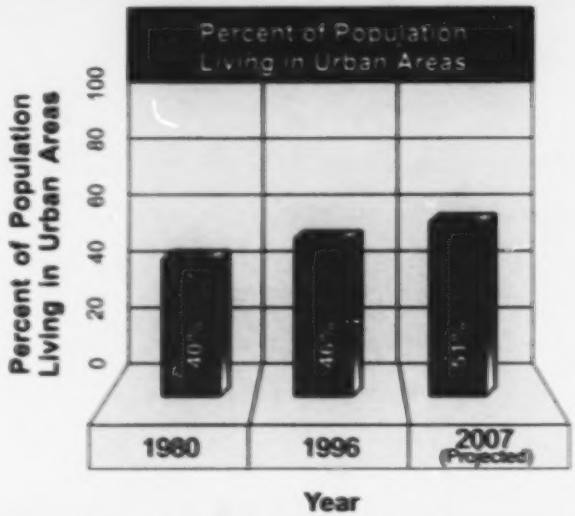
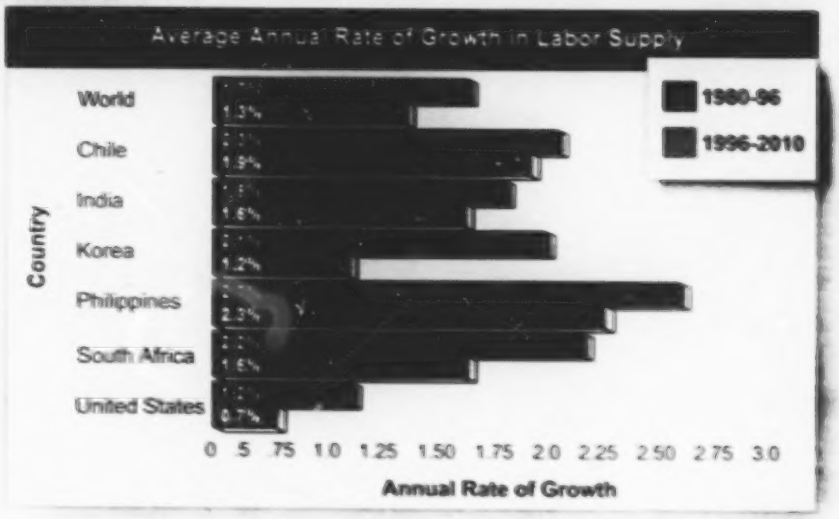
Over Half the World's Population Will Live in Urban Areas . . .

For the first time in history, one-half of the population will live in urbanized areas by the early part of the next century. The increasing urbanization of the world's population is important because of pervasive powers of agglomeration and localization economies.

Source: The World Bank, World Development Indicators 1998 and projection by the National Alliance of Business.



Workforce Growth is Faster in Areas Outside the United States . . .



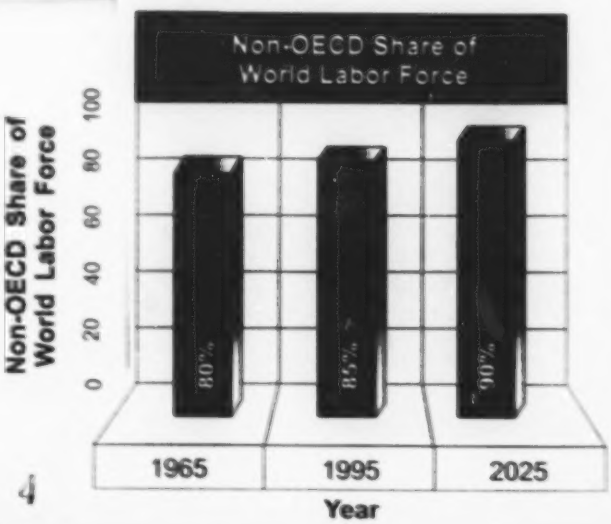
The labor force is growing much faster outside the U.S. Between 1980 and 1996, labor supply in the world grew at a rate nearly one and one-half times as fast as it did in the United States. The differential is expected to increase in the future. The world labor supply will grow at a rate nearly 80 percent faster between 1996 and 2010 than the growth in labor supply in the United States over the same period.

Source: The World Bank, World Development Indicators 1998.

OECD Countries Represent a Small Share of the World's Workforce . .

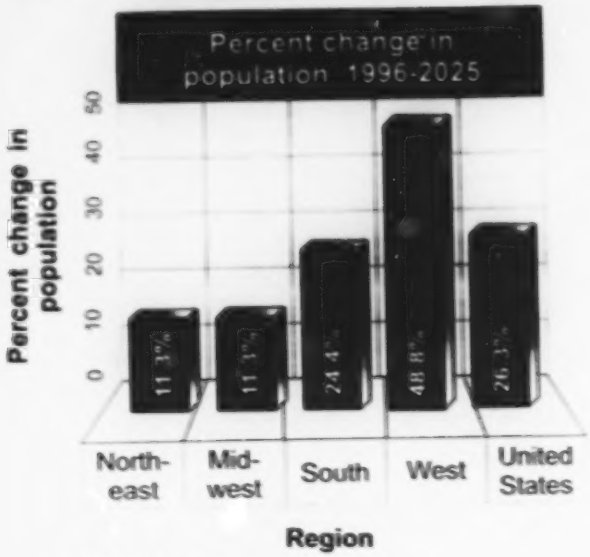
More workers live and work outside OECD countries. In 1965, non-OECD countries accounted for eight in ten workers in the world. By 2025, non-OECD countries will account for nine in 10 workers in the world.

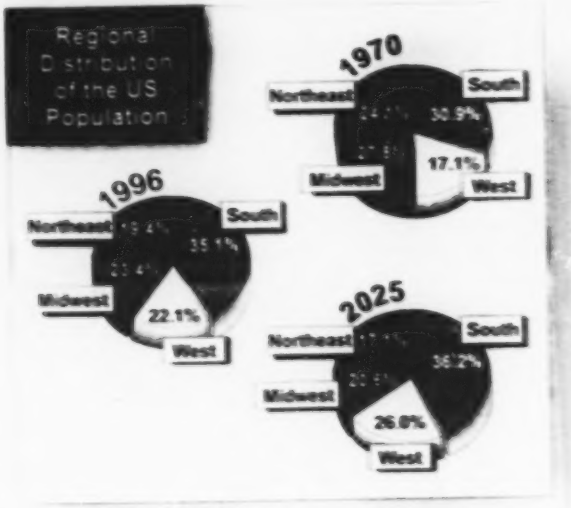
Source: The World Bank, The World Development Report 1995.



The Regional Distribution of Population is Changing...

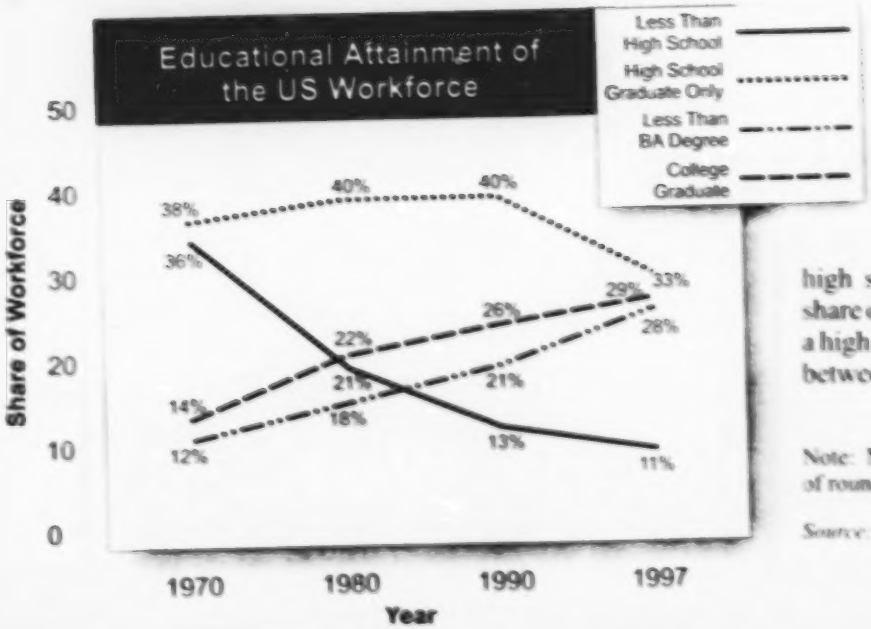
Population growth rates across the regions of the United States between 1996 and 2025 will vary dramatically. While the population in the Northeast and Midwest is expected to increase by just over 11 percent between 1996 and 2025, the population growth rate in the South will be twice as large and population will grow over 4 times faster in the West compared to the Northeast and Midwest. These differences in population growth rates will translate into substantial changes in the distribution of the population. In 1970, the U.S. population was nearly evenly split between the Northeast and Midwest and the South and West. By 2025, less than 2 out of every five persons will live in the Northeast and Midwest.





Source: U.S. Census Bureau.

The US Workforce is More Educated...



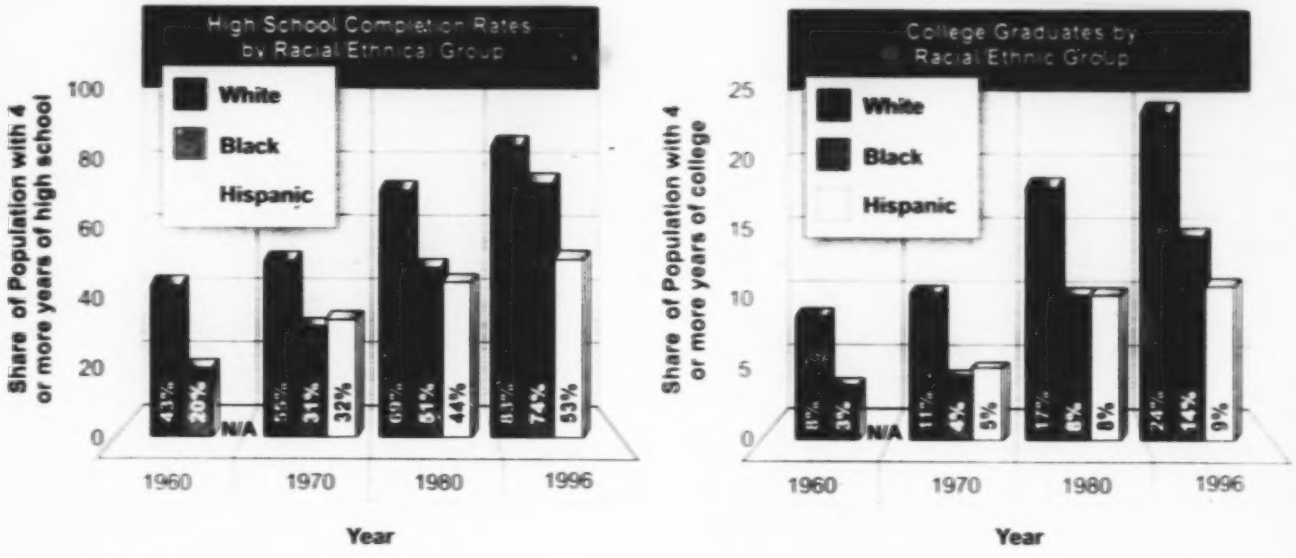
Over the last 25 years, the educational level of the workforce has shifted dramatically. In 1970, 35 percent of the U.S. workforce had less than a high school diploma. By 1997, less than 11 percent of the U.S. workforce had less than a high school diploma. In contrast, the share of the US workforce with more than a high school diploma more than doubled between 1970 and 1997.

Note: Numbers may not add up to 100 because of rounding.

Source: US Bureau of Labor Statistics.

Minority Groups are Increasing Their Educational Attainment...

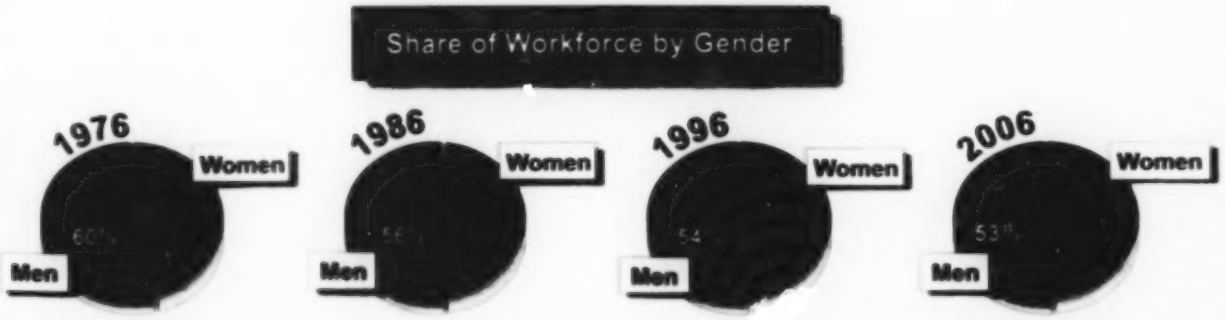
Educational attainment is increasing for all groups. The share of blacks with a high school diploma or more increased by nearly fourfold between 1960 and 1996. In 1960, one in five blacks had a high diploma or more and by 1996 nearly three out of every four blacks had at least 4 years of high school. A similar pattern is evident when we examine the share of each group with 4 or more years of college. However, while minority groups have made large strides over the past 3 decades, a gap still exists between the education levels of whites compared to many minority groups.



Source: US Census Bureau.

Women will Represent a Larger Share of the Workforce in the Future...

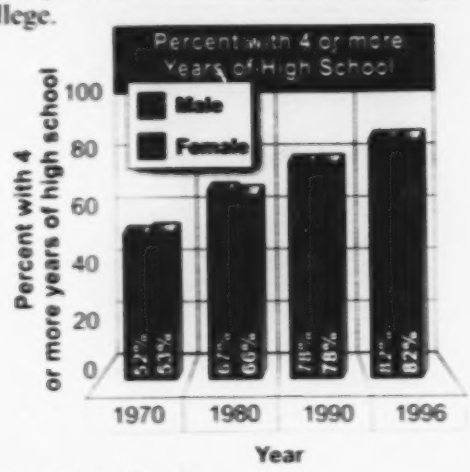
Women will represent a large share of the population as we enter the 21st century. In 1976, women represented approximately 40 percent of the workforce and by 2006 women will represent nearly one-half of the workforce.

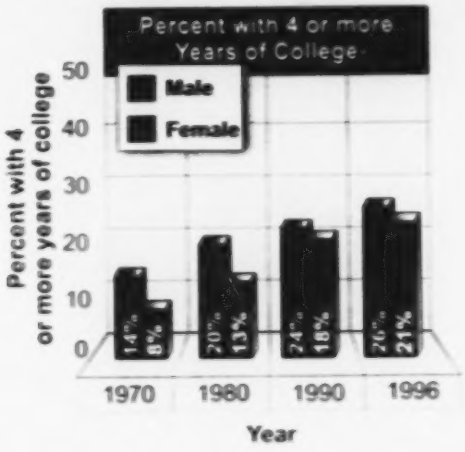


Source: Howard N. Fullerton, Jr. "Labor Force 2006: slowing down and changing composition." Monthly Labor Review. November 1997

Women Are Increasing Their Investments in Education . . .

The portion of females with 4 or more years of high school is similar to that for males. In 1996, approximately eight out of ten males and females had completed 4 or more years of high school. However, compared to males, the portion of females with 4 or more years of college is lower although the gap is closing. By 1996, nearly one in four males had completed four or more years of college while just over one in five females had completed four or more years of college.

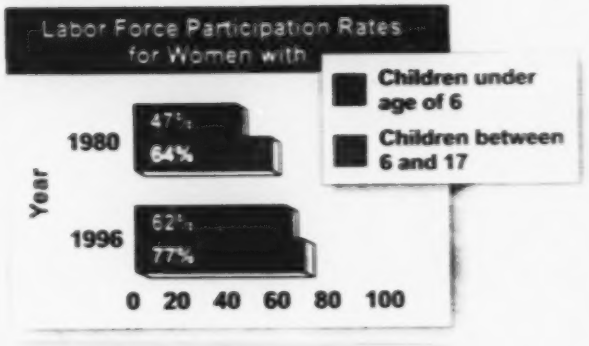




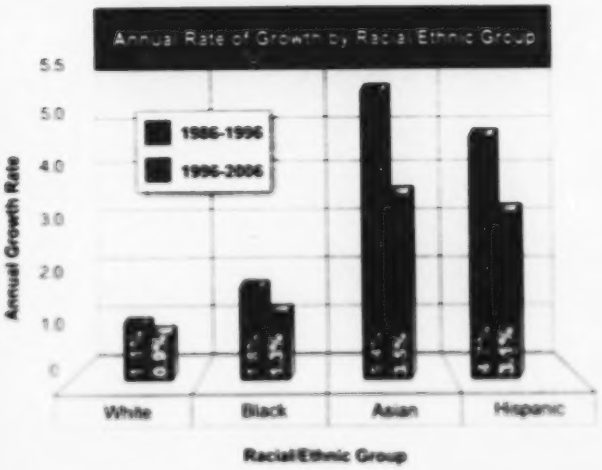
Source: US Bureau of Labor Statistics.

More moms are working...

Over the last 16 years, the portion of women with children participating in the labor market has increased dramatically. Nearly two-thirds of all women with children under the age of 6 are in the labor market and over three-fourths of women with children between the ages of 6 and 17 are in the labor market. The labor force participation rates for women with children under the age of 6 jumped 15 percentage points in the last 16 years and the labor force participation rates for women with children between the age of 6 and 17 rose 13 percentage points between 1980 and 1996.



Source: US Bureau of Labor Statistics.



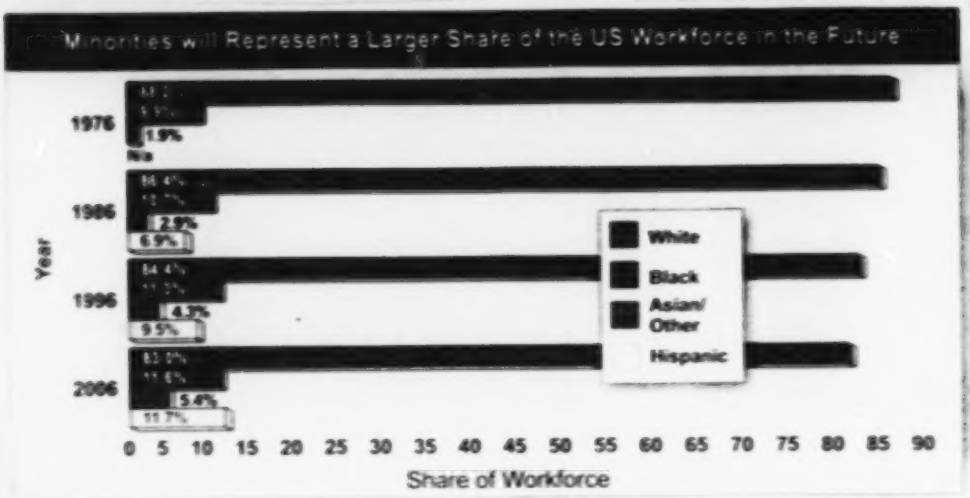
Minorities Will Be the Fastest Growing Segment of the US Workforce....

Between 1986 and 1996, minorities were the fastest growing segment of the US workforce. Over this period, the number of Asians in the labor market grew nearly five times as fast as Whites. The number of Hispanics in the workforce grew over 4 times as fast as Whites BLS projects these disparate trends to continue. Minorities will be the fastest growing segment of the workforce between 1996 and 2006.

Source: Howard N. Fullerton, Jr. "Labor Force 2006: slowing down and changing composition." Monthly Labor Review. November 1997.

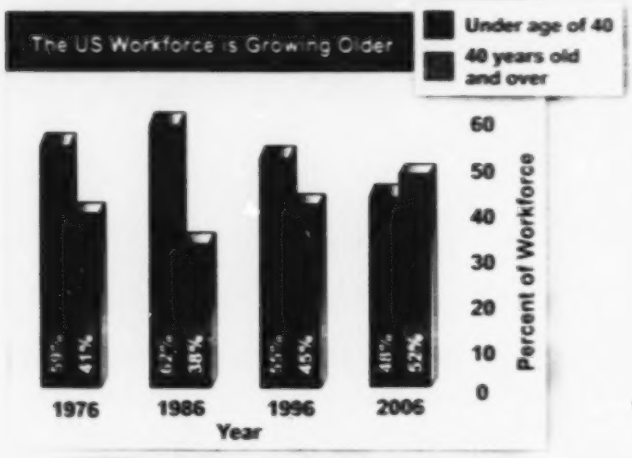
Minorities will Represent a Larger Share of the US Workforce...

As a result of their much faster growth, minorities will represent a larger share of the US workforce in the future. By 2006, Hispanics will be the largest minority group in the workforce and their share of the workforce will nearly double between 1986 and 2006. In 1976, blacks and Asians represented almost 11 percent of the US workforce. By 2006, blacks and Asians will represent 17 percent of the US workforce.



Note: Persons of Hispanic origin may be of any race. Therefore, numbers do not add up to 100 percent.

Source: Howard N. Fullerton, Jr. "Labor Force 2006: slowing down and changing composition." Monthly Labor Review. November 1997.



The US Workforce will Continue to Grow Older....

The US workforce is growing older. In 1976, nearly 60 percent of the US workforce was under the age of 40; by 2006 only 48 percent of the US workforce will be under the age of 40.

Source: Howard N. Fullerton, Jr. "Labor Force 2006: slowing down and changing composition." Monthly Labor Review. November 1997.

The World Population is Aging at a Slower Rate Compared to the United States . . .

The world population is younger compared to the United States. Nearly one in five persons will be over the age of 60 in the United States by the year 2010 while just over one in ten persons will be over the age of 60 in the world by 2010. In several other industrialized countries, the changes will be even more dramatic.

	Share of Population over 60 Years Old		Change in Share
Country	1996	2010	1996-2010
World	9.6%	10.8%	1.2 points
Japan	21.0	29.8	8.8 points
Germany	21.0	25.1	4.4 points
United Kingdom	20.7	23.3	1.6 points
India	7.3	8.6	1.3 points
Mexico	6.2	8.1	1.9 points
South Africa	6.5	7.3	0.8 points
United States	16.4	18.8	2.4 points

Source: The World Bank. World Development Indicators 1998.

The Aging of the Workforce is Playing out Differently Across Regions...

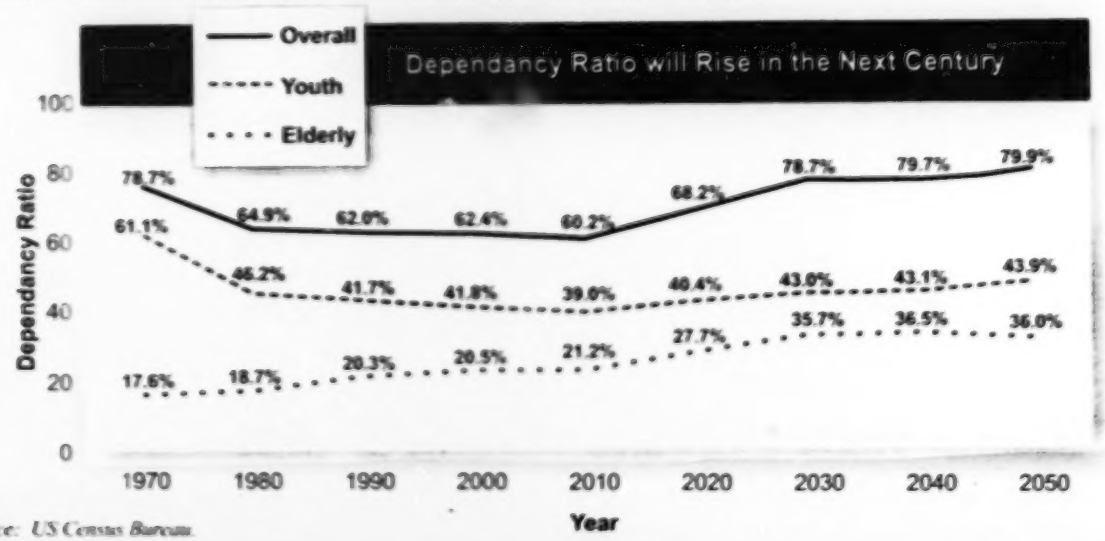
Data on the distribution of the workforce by regions are not available. We can use the median age of the population as a proxy to measure the graying of the workforce across the regions of the United States. The aging of the population across the United States varies. For instance, the Northeast is the region with the oldest median age while the West is the youngest. In terms of changes, the New England region is the region experiencing the most rapid increase in the median age of its population.

	Median Age		Absolute Change
Region	1990	1997	
Northeast	34.0	36.2	2.2 years
New England	33.6	36.1	2.5
Middle Atlantic	34.2	36.3	2.1
Midwest	32.9	35.2	2.3
East North Central	32.8	35.1	2.3
West North Central	33.0	35.3	2.3
South	32.7	34.9	2.2
South Atlantic	33.5	35.7	2.2
East South Central	32.8	35.1	2.3
West South Central	31.2	33.3	2.1
West	31.7	33.6	1.9
Mountain	31.5	33.8	2.3
Pacific	31.7	33.6	1.9

Source: US Census Bureau

The Dependency Ratio will Rise Significantly in the Next Century...

The dependency ratio will rise significantly into the next century. The dependency ratio indicates how many children (under the age of 17) and elderly (65 years old and over) there are for every 100 people of working age (18 to 64 years old). The dependency ratio will slowly decline from its 1995 level of 63.7 to 60.2 in 2010. Then, as the baby boom ages, the dependency ratio is projected to increase 60.2 in 2010 to 79.9 in 2050. The dependency ratio for children is projected to remain stable between 1995 and 2050. The dependency ratio for elderly persons is already at an all-time high and will increase rapidly between 1995 to 2050.



Source: US Census Bureau

Changes in Age Structure are Important to Economic Growth...

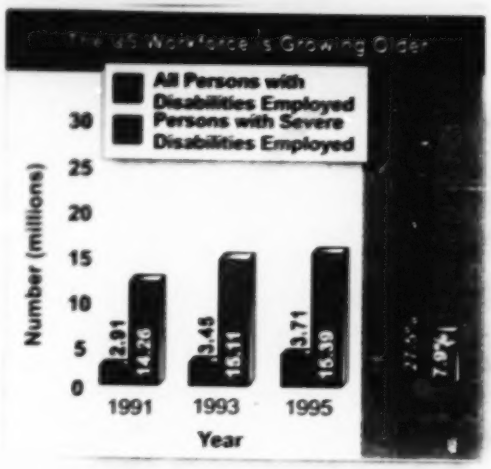
A recent study published by the National Bureau of Economic Research isolated the effects of demographic change on economic growth across 78 countries. The paper found that population dynamics are important determinants of economic growth and that it is through the age distribution -- primarily a sharp rise in the working age population and lower dependency ratios -- by which demographic variables affect economic growth. In many of the fast growing Asian economies, the working age population grew faster than the entire population and had a positive and substantial impact on the growth rate. The authors estimate that population dynamics account for one-third of the growth in per capita Gross Domestic Product (GDP) between 1965 and 1990 and that a one percent increase in the growth rate of the working age population is associated with a 1.46 percent increase in the growth rate of GDP per capita.

Source: David E. Bloom and Jeffrey G. Williamson. November 1997. "Demographic Transitions and Economic Miracles in Emerging Asia." National Bureau of Economic Research, Working Paper No. 6268.

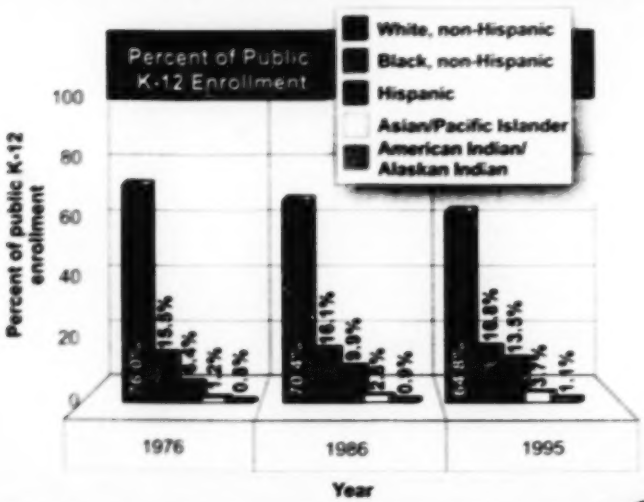
More Disabled Workers Are Now in the Workforce...

The share of the persons with a disability that are employed has grown over the last several years. Between 1991 and 1995, the number of persons with a disability that were employed rose by nearly eight percent (or over one million persons). In addition, the number of persons with a severe disability (defined as person who is unable to perform one or more activities of daily living; or more specific impairments; or is a long term user of assistive devices such a wheelchairs, crutches, and walkers) jumped by over 800,000 or over 27 percent between 1991 and 1995. In 1995, severely disabled persons represented nearly 13 percent of all persons employed while disabled persons represented about 20 percent of the total population.

Source: US Census Bureau



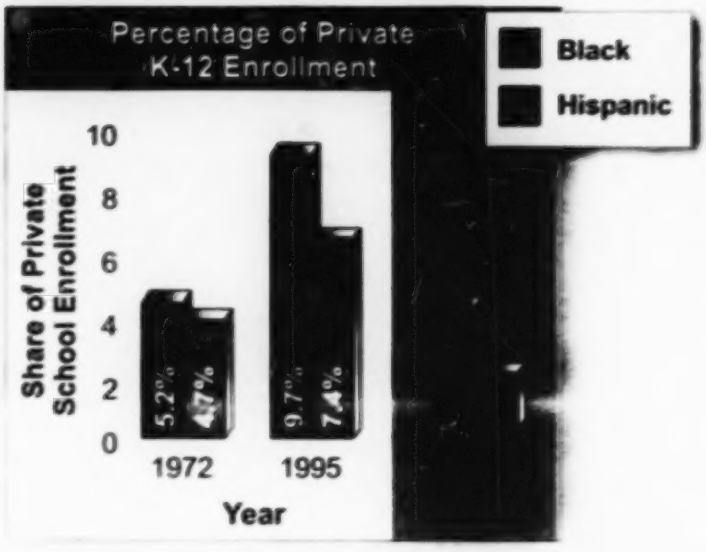
Minorities represent a larger share of K-12 enrollment...



Between 1976 and 1995, the distribution of the enrollment in public elementary and secondary schools has changed dramatically. Currently, over one in three students enrolled in grades K-12 are considered to be part of a minority group. In 1976, three out of every four students enrolled were white, non-Hispanics. Hispanics represent the fastest growing segment of K-12 enrollment.

Source: National Center for Education Statistics.

Minorities Represent a Larger Share of Private K-12 Enrollment As Well...



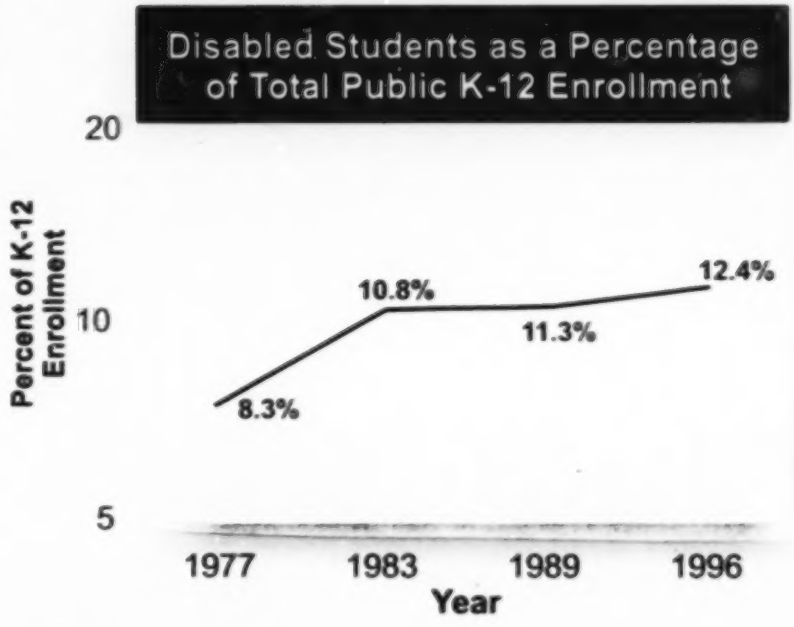
Between 1972 and 1995, the share of private K-12 enrollment represented by students considered to be part of a minority group has increased. In 1972, black and Hispanic students represented less than 10 percent of all private elementary and secondary school enrollment. By 1995, Hispanic and black students represent just over 17 percent of all private K-12 enrollment.

Source: National Center for Education Statistics.

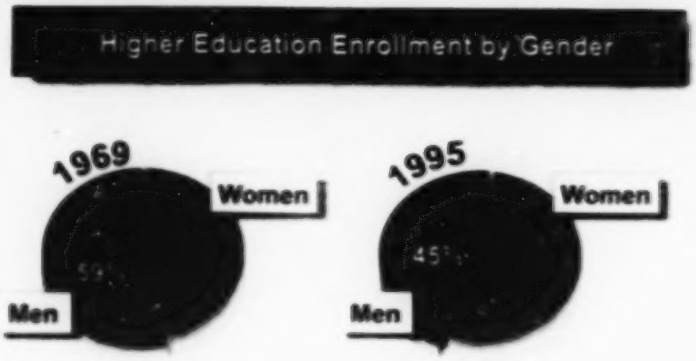
Disabled Students Represent a Larger Share of K-12 Enrollment...

The share of students with disabilities receiving services in federally supported programs account for 12 percent of all public school enrollment while in 1977 students with disabilities represented just over 8 percent of all enrollment. The number of students participating in these programs rose by 51 percent between 1977 and 1996.

Source: National Center for Education Statistics.



Women Now Represent a Majority of All Enrollment in Higher Education...

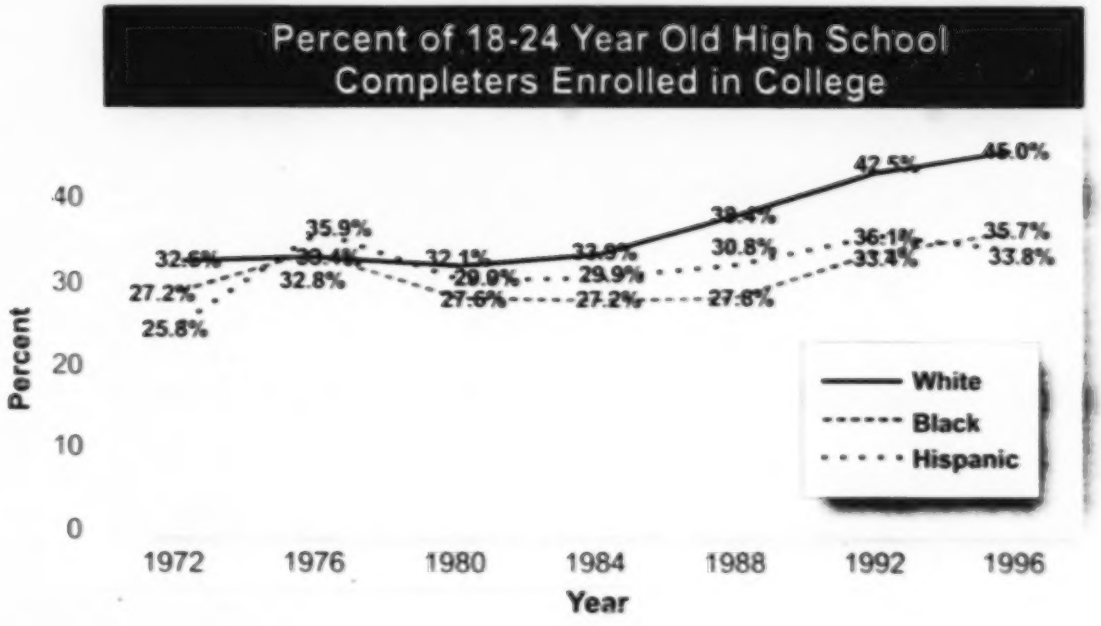


Between 1969 and 1995, the gender composition of higher education enrollment has shifted. In 1969, men represented nearly 60 percent of all higher education enrollment and by 1995 men represent only 45 percent of all higher education enrollment.

Source: National Center for Education Statistics

College Enrollment Rates Across Racial/Ethnic Groups Are Changing...

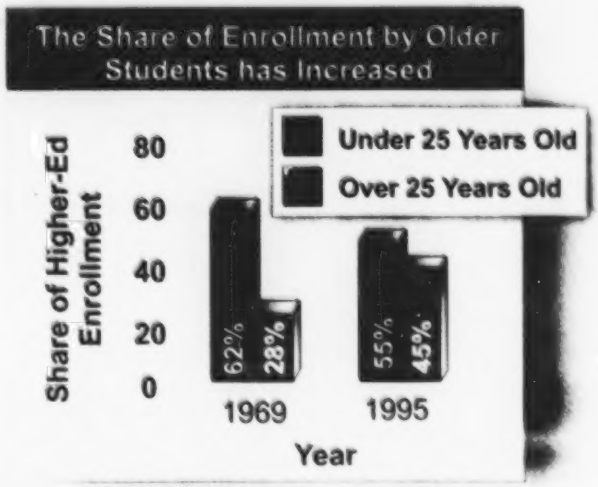
White high school completers are more likely to be enrolled in college compared to black and Hispanic high school completers. In 1996, 45 percent of white high school completers were enrolled in college compared to just under 36 percent of black high school completers and nearly 34 percent of Hispanic high school completers. This stands in sharp contrast to the experience in the mid- to late 1970s when college enrollment rates across these groups were similar.



Source: National Center for Education Statistics

Higher Education Enrollees are Becoming Older...

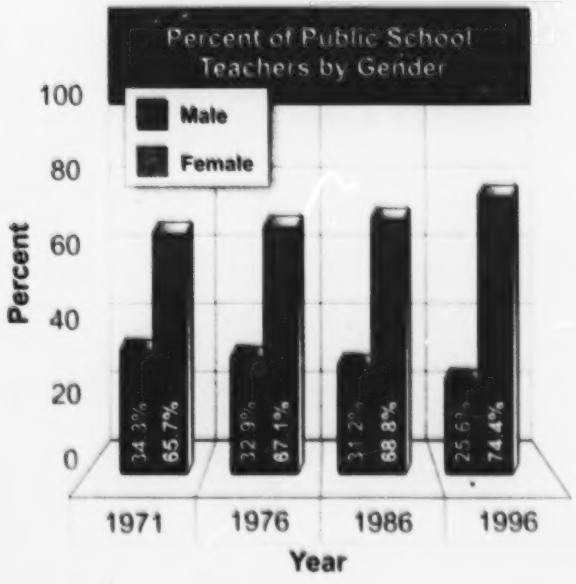
Over the last 16 years, the share of enrollment accounted for by older students has increased dramatically. In 1969, over sixty percent of the students enrolled in higher education were under the age of 25. By 1995, only 55 percent of the students enrolled in higher education were under the age of 25.

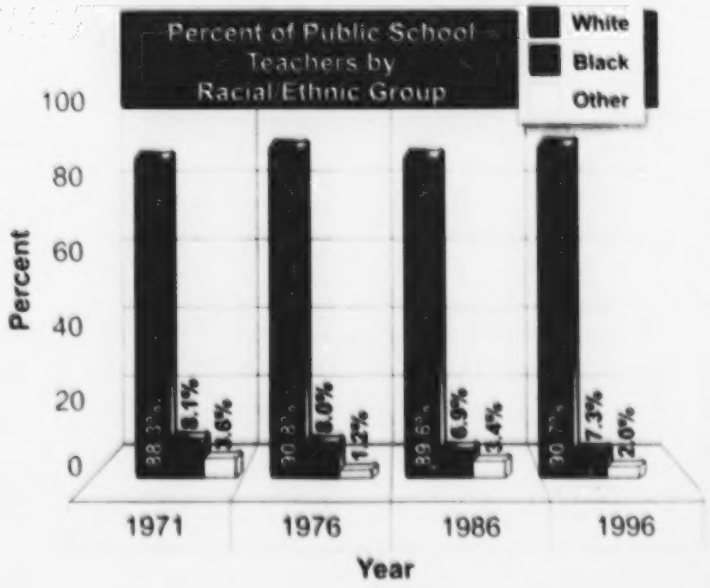


Source: National Center for Education Statistics.

Teacher Demographics have not Shifted Significantly...

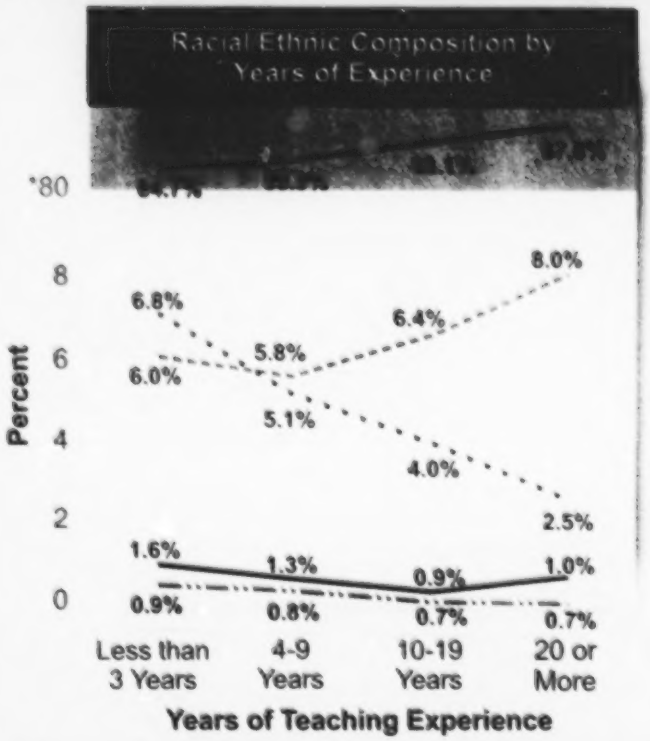
The gender and racial characteristics of teachers have not shifted significantly. In 1971, women represented nearly two-thirds of all public school teachers while in 1996 women represented nearly three-fourths of all teachers. Between 1971 and 1996, the portion of public school teachers across racial/ethnic groups barely budged. In 1996, nearly 91 percent of all public teachers were white compared to 88 percent in 1971.





Source: National Education Association.

However, New Teachers are More Likely to be Minority...



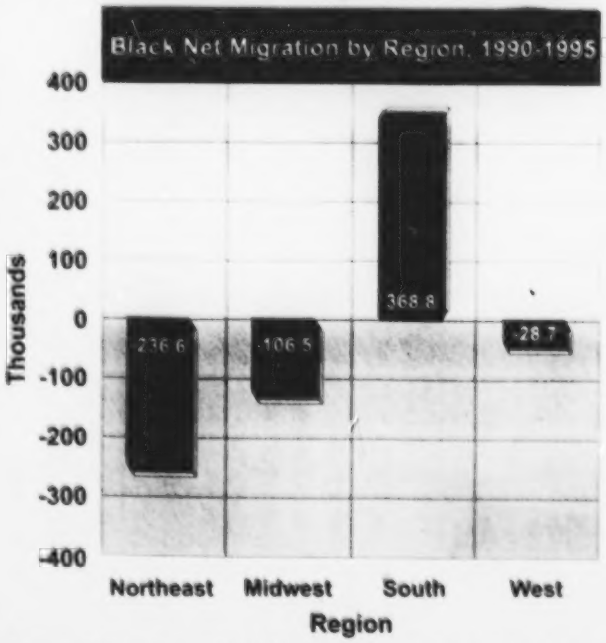
Beginning teachers (those with less than 3 years experience) were more likely than teachers with 10 or more years to experience to be minority. Most noticeable is the large portion of Hispanics among beginning teachers in contrast to the small portion of Hispanics among teachers with more experience. For blacks, this pattern is reversed.

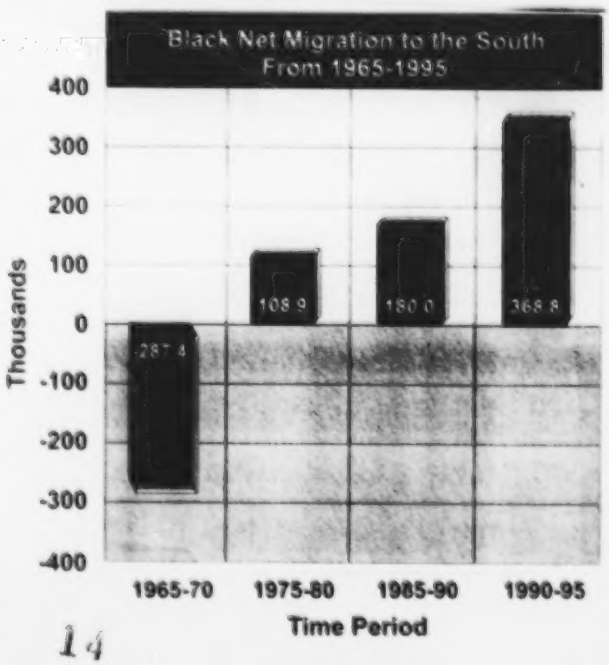
- White, non-Hispanic
- Black, non-Hispanic
- Hispanic
- Asian/Pacific Islander
- American Indian/Alaskan

Source: National Center for Education Statistics.

Black Migration Trends are reversing...

Representing an important trend, more blacks are moving to the South and leaving the Midwest, Northeast, and West. Other than the South, more blacks were leaving these regions than moving to them. This represents a sharp reversal of the trend of the black exodus from the South that occurred between the early 1900's and the late 1960's.





Source: William Frey, "Black Migration to the South Reaches Record Highs in 1990's." Population Reference Bureau.